

Sports Shinko USA - 2004 Tax Return Open Points

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Vixaysack, Hongchay

From: Vixaysack, Hongchay
Sent: Thursday, September 15, 2005 8:32 AM
To: 'Okuzumi, Hitoshi'
Cc: Ito, Yasuhiro; Suzuki, Katsuyoshi; Kretzer, Kenneth; Suzuki, Toshiya; Iwamura, Steve (JP - Osaka); Ono, Akemi; Kochar, Kevin; Griffith, Doreen
Subject: RE: Urgent Action Required: Sports Shinko USA - 2004 Tax Return Filing & Delivery

Okuzumi,

We received the signed Form 1120's and reportable transaction questionnaire via FedEx. The Federal return, Form 5471, and Form 5472 will be timely remitted to the Internal Revenue Service today. The state returns for California and Hawaii are due October 15 and October 20, respectively. We will be sending these returns shortly for appropriate signature and filing.

Thank you for promptly sending the documents. If you have any questions, please feel free to give me a call at (808) 441-2867 or email me.

Regards,
Hongchay

From: Okuzumi, Hitoshi [mailto:Hitoshi.Okuzumi@gsrjl.com]
Sent: Tuesday, September 13, 2005 2:57 PM
To: Vixaysack, Hongchay
Cc: Ito, Yasuhiro; Suzuki, Katsuyoshi; Kretzer, Kenneth; Suzuki, Toshiya; Iwamura, Steve (JP - Osaka); Ono, Akemi; Kochar, Kevin; Griffith, Doreen
Subject: RE: Urgent Action Required: Sports Shinko USA - 2004 Tax Return Filing & Delivery

Hongchay,

The signed document has been dispatched to Grant Thornton by FedEx. It will be delivered by 5:00 p.m. on Wednesday, September 14 (Hawaii time).

Thanks.
Okuzumi

-----Original Message-----

From: Vixaysack, Hongchay [mailto:Hongchaythip.Vixaysack@gt.com]
Sent: Tuesday, September 13, 2005 11:39 AM
To: Griffith, Doreen; Okuzumi, Hitoshi
Cc: Ito, Yasuhiro; Suzuki, Katsuyoshi; Kretzer, Kenneth; Suzuki, Toshiya; Iwamura, Steve (JP - Osaka); Ono, Akemi; Kochar, Kevin
Subject: Urgent Action Required: Sports Shinko USA - 2004 Tax Return Filing & Delivery

Hitoshi-san,
Our Int'l FedEx and DHL mail services were not able to guarantee that the returns could be delivered to Japan in order for you to have them signed and filed by September 15, 2005. As an alternative, we propose to send you the signature page of Form 1120. We have enclosed two copies of Form 1120 page 1. One copy has the tax return information filled out and the other is a blank. The blank form will be used in the event of a change. We request that you send both back via FedEx. They should be delivered to us no later than Wednesday, September 14, 2005 (Hawaii time). Our mailing address is:

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EXHIBIT 5

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Grant Thornton LLP
 Attn: Doreen Griffith/Hongchay Vixaysack
 1132 Bishop Street, Suite 1000
 Honolulu, HI 96813

We have also enclosed copies of Form 5471 and 5472. These informational forms are also due on September 15, 2005. The forms were prepared based on information received from Steve and Ms. Ono. Please review the forms and confirm that the information is accurate. As these forms do not require a signature, we would be more than happy to file them for you once we get an approval. If you have any questions on the request, please feel free to give me a call at (808) 441-2867 or email me. Regards,

Hongchay Vixaysack

Senior Tax Associate
 Grant Thornton LLP
 T 441-2867
 F 523-8590

E hvixaysack@gt.com

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size=2 width="100%" align=center tabIndex=-1>

From: Griffith, Doreen

Sent: Monday, September 12, 2005 9:43 AM

To: Okuzumi, Hitoshi

Cc: Ito, Yasuhiro; Suzuki, Katsuyoshi; Kretzer, Kenneth; Suzuki, Toshiya; Vixaysack, Hongchay; Iwamura, Steve (JP - Osaka); Ono, Akemi; Kochar, Kevin

Subject: RE: Sports Shinko USA - 2004 Tax Return Open Points

Okuzumi,

Thank you for your responses. Please send the questionnaire, since it is required for our tax return files. Also, I have one final question, and then we will send out the tax returns via International Federal Express or DHL, whichever is quicker. Who should be receiving this income tax return so that it can be filed timely? Please provide the appropriate contact person, mailing address and phone numbers.

Thank you again for your assistance.

Best regards,

Doreen Griffith
 Grant Thornton LLP
 T 808-441-2860

F 808-523-8590

E doreen.griffith@gt.com

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The views expressed in this email reflect what we believe to be the likely tax consequences of the transactions described herein. We have not independently verified the facts as described and no assurance can be given that the Internal Revenue Service or other taxing authority will not challenge any position taken in such conclusion(s). Furthermore, we have no obligation to update our conclusion(s) for future changes in the tax laws.

This electronic communication may be privileged under IRC Section 7525.

From: Okuzumi, Hitoshi [mailto:Hitoshi.Okuzumi@gsrjl.com]

Sent: Thursday, September 08, 2005 8:43 PM

To: Griffith, Doreen

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Sports Shinko USA - 2004 Tax Return Open Points

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Cc: Ito, Yasuhiro; Suzuki, Katsuyoshi; Kretzer, Kenneth; Suzuki, Toshiya; Vixaysack, Hongchay; Iwamura, Steve (JP - Osaka); Ono, Akemi; Kochar, Kevin

Subject: RE: Sports Shinko USA - 2004 Tax Return Open Points

REDACTED

Doreen,

Please find attached revised financials for SS USA and subs.

All write off entries through Purchase Accounting Process has been reclassified, and I believe it's also better for tax perspective.

not recorded in the books since SS USA has been suing to Kobayashi Group for invalidity of sales agreements. So if we record as an interest income, it might mean that SS USA accepts as an interest income. It does not make sense for the litigation perspective.

If you think as to be treated as an interest income for the tax perspective, please add to taxable income in the tax return.

Your questionnaire will be taken care of next week.

Thank you for your cooperation.

Okuzumi

REDACTED

-----Original Message-----

From: Griffith, Doreen [mailto:Doreen.Griffith@gt.com]

Sent: Monday, September 05, 2005 6:45 AM

To: Okuzumi, Hitoshi; Vixaysack, Hongchay; Iwamura, Steve (JP - Osaka)

Cc: Ito, Yasuhiro; Suzuki, Katsuyoshi; Kretzer, Kenneth; Suzuki, Toshiya

Subject: RE: Sports Shinko USA - 2004 Tax Return Open Points

Dear Hitoshi-san,

Thank you for your recent email. You indicated that you will revise the 2004 Sports Shinko USA financials. Please send these revised financial statements as soon as possible. These returns must be prepared and sent to you in time for review, signature, and filing the U.S. return by September 15.

Please remember that the Internal Revenue Service must receive the return by September 15, 2005. To help in the completion of these returns and based on your previous email, we have the following questions. We appreciate your assistance and respectfully request your patience, as we reconcile our 2003 US tax return with the 2004 information received to date.

Purchase Accounting and Debts

Based on Ms. Ono's responses below, we will treat the extraordinary gains/losses as purchase accounting adjustments. We have been advised that these entries were made due to purchase accounting entries with respect to the consolidation of the financial statements of the parent company. These adjustments will be treated as a book to tax adjustment on the tax returns. Therefore, based on your representations, these adjustments did not create any taxable income in the US.

The portion of income that we are certain about is the interest income from the Kobayashi notes. Interest income of will be reclassified from extraordinary gains/losses, as we were not able to identify this amount in the workpapers provided.

Our initial understanding was that Sports Shinko USA does not have external receivables and payables other than the Kobayashi notes. The outstanding debts are intercompany. Thus, if there were any cancellation of debt income, it would net out to zero and produce no US taxable income. However, based on review of the Compilation Report prepared by Grant Thornton LLP for December 31, 2003, there were the following outside liabilities:

payable to LTCB (a bank)

Long term debt - affiliates

Accrued interest and other - affiliates, netted against

Notes and interest receivable, shareholder, affiliate and other reported as part equity

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A review of the account descriptions indicated that there was debt owed to Sports Shinko Japan, which is not part of the US income tax return. Also, the 2003 Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation, showed there was approximately receivable and payable to Sports Shinko Japan from Sports Shinko USA. What happened to these debts? If there was cancellation of debt outside the US consolidated group, income may have to be recognized up to the company's solvency.

Net Operating Losses in the US and Limitations

Section 382 of the Internal Revenue Code places a limitation on the acquiring corporation's use of net operating loss (NOL) carryovers. South Wind acquired Sports Shinko Japan in February 2004. The acquiring corporation is subject to the annual limit on the amount current income that can be offset by existing NOLs when there is a shift in a more than 5% shareholder. Following the ownership change, the annual limit on use of the carryover is the value of the pre-acquisition loss corporation multiplied by the long-term tax-exempt rate. For this February 2004 change in ownership, the long-term tax-exempt rate is 4.58%. We have assumed the fair market value of the corporation is (the value of the Kobayashi notes). Thus, the limit on your annual use of the US NOL carryover is . Therefore, for 2004 and each subsequent year, no more than of income can be offset by the NOL carryover.

Grant Thornton Required Form

Finally, as addressed in our engagement letter, our firm requires each client to complete a Reportable Transaction Questionnaire (copy attached) before releasing a return to the client. Please have the appropriate person complete and sign the questionnaire and fax it to us at (808) 523-8590 as soon as possible. Once again, we appreciate your assistance and patience. If you have any questions, please call or email us.

Best regards,
Doreen Griffith, Tax Partner
Grant Thornton LLP, Honolulu
(808) 441-2860

From: Okuzumi, Hitoshi [mailto:Hitoshi.Okuzumi@gsrjl.com]

Sent: Fri 9/2/2005 2:07 AM

To: Vixaysack, Hongchay; Iwamura, Steve (JP - Osaka)

Cc: Ito, Yasuhiro; Suzuki, Katsuyoshi; Griffith, Doreen; Kretzer, Kenneth; Suzuki, Toshiya

Subject: RE: Sports Shinko USA - 2004 Tax Return Open Points

Hongchay,

First of all, I have to inform you that unfortunately, Chieko Ono has left the company, and Katsuyoshi Suzuki, copied in this e-mail, is taking her responsibility.

I understand the issue for SS USA about the write off, and to avoid the tax liability, we need to revise the financials.

Please let me know if you have any additional issue or concerns about this.

Thank you very much.

Okuzumi

-----Original Message-----

From: Ono, Chieko

Sent: Monday, August 29, 2005 9:47 AM

To: 'Vixaysack, Hongchay'

Cc: Iwamura, Steve (JP - Osaka); Griffith, Doreen; Kretzer, Kenneth; Suzuki, Toshiya; Ito, Yasuhiro; Okuzumi, Hitoshi

Subject: RE: Sports Shinko USA - 2004 Tax Return Open Points

Hi Hongchay,

I have added our comments.

If you have questions, please let me know.
you, chieko ono

Regards & thank

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Sports Shinko USA - 2004 Tax Return Open Points

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Concerning GL, Journals, and Extraordinary gain/loss, please see below:

Basically, all write off journals were only for the purpose of consolidation financial statements of the parent company.

Therefore I believe those write off should not be taken into account for tax calculation.

50% write off of KG Group payable was only due to the purchase accounting of consoli F/S of the parent company. So not intend to create taxable income.

It took a lot of time for us to prepare the current financials, because no one knows the history and background of the companies after people has gone.

Unfortunately our GL was really messy (this is the main reason that we took a lot of time to understand.), and it's impossible for you to understand, and also for us to explain clearly, because of a lot of VOID journals.

My idea is that if you can reverse back Extraordinary gain/loss as a tax adjustment, I believe the result should be a good number -no taxable income.

Please let me know your thoughts.

-----Original Message-----

From: Vixaysack, Hongchay [mailto:Hongchaythip.Vixaysack@gt.com]

Sent: Friday, August 26, 2005 9:26 AM

To: Ono, Chieko

Cc: Iwamura, Steve (JP - Osaka); Griffith, Doreen; Kretzer, Kenneth

Subject: Sports Shinko USA - 2004 Tax Return Open Points

Ms. Ono,

Thank you for your responses in helping us to understand the transactions that occurred within Sports Shinko USA during 2004. Based on the information provided to date, we understand that several corporate accounts were cleaned up. While the intention was to create no tax liability, the result showed large gain in the income statement. Without further information, these events may create tax liability.

However, in order to obtain more comfort that there were no underlying transactions that will have major tax consequences, we need more information. We believe that it would be helpful if you could provide:

- ^ General Ledger details
- ^ Journal entries

There appears to be a change in the account numbers from prior year which has made it a little hard to trace some of the amounts from prior year to current year. These schedules will hopefully give us more insight into the extraordinary gain/loss summary.

Extraordinary Gain/Loss

1. Was there another reason as to why 50% of the Kobayashi Group notes were written-off other than being part of Purchase Accounting. As far as we know, it appears that Kobayashi Group is a solvent company and should be able to make these payments. The tax benefit of writing off the note would be in taking a bad debt deduction if Sports Shinko does not anticipate collections in the future.

2. Were there any dividend distributions to Sports Shinko Japan?
[Ono, Chieko] No dividend incurred.

South Wind Acquisition

Sports Shinko USA - 2004 Tax Return Open Points

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3. Form 1120, Schedule K requires a schedule containing certain information about 50% or more shareholders of the corporation. As such, please provide the legal name, address, and employer identification number of South Wind as well as its Parent company(ies). Please confirm ownership % of 100%.
[Ono, Chieko] Legal name: South Wind TK ("Tokumei Kumiai" in Japanese commercial code. We have filed TK as a partnership to IRS for US Tax.)
Address: Shibuya Cross Tower, 15-1, Shibuya 2chome, Shibuya-ku, Tokyo, Japan
Employer ID: N/A
Owernership: SS USA is a 100% subsidiary of South Wind TK

Form 5472

4. Are Goldman Sachs and South Wind domestic U.S. companies?
[Ono, Chieko] Goldman Sachs is a US entity, but South Wind TK is a Japanese one.

5. If South Wind is a domestic U.S. corporation, will Sports Shinko USA join in the filing of a consolidated return upon South Wind direct ownership of Sports Shinko USA on September 29, 2004?
[Ono, Chieko] South Wind TK is a Japanese company, so the consolidated tax return with SS USA and South Wind TK was not applicable.

6. Please provide the ending balances of the Accounts Receivable and Accounts Payable balance between Sports Shinko USA and Sports Shinko Japan. Were there any other monetary transactions between these two corporations? Please find enclosed a copy of prior year Form 5472 for your reference of what type of information we are looking for.
[Ono, Chieko] South Wind TK has purchased debt and credit from SS USA at acquisition. Therefore balances of Account Receivable and Account Payable between SS USA and SS Japan have not left.

We appreciate your efforts in helping us gather these requested items. If you have any questions, please do not hesitate to let us know.

<<2003 FORM 5472.PDF>>

Best regards,

Hongchay Vixaysack
Senior Tax Associate
Grant Thornton LLP
T 441-2867
F 523-8590
E hvixaysack@gt.com

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Vixaysack, Hongchay

From: Ono, Chieko [Chieko.Ono@gsrjl.com]
Sent: Wednesday, August 17, 2005 4:37 PM
To: Vixaysack, Hongchay
Cc: Kretzer, Kenneth; Iwamura, Steve (JP - Osaka); Yoshihiko Machida (CEO, SS-USA); Griffith, Doreen; Nakamura, Mutsumi; Ito, Yasuhiro; Okuzumi, Hitoshi
Subject: RE: Sports Shinko (USA) Tax Return - Open Points
Attachments: Restructuring of SS Overseas Subs.ppt; 2004 Open Issues .xls

Hi Hongchay,

I have added our comments in pink. I have taken over this issue but everybody related at the time of Year end in November, 2004 had already left. Nobody knows overall on this.

Thank you chieko ono

-----Original Message-----

From: Iwamura, Steve (JP - Osaka) [mailto:steve.iwamura@tohatsu.co.jp]
Sent: Friday, August 12, 2005 10:04 PM
To: Vixaysack, Hongchay
Cc: Kretzer, Kenneth; Yoshihiko Machida (CEO, SS-USA); Griffith, Doreen; Ono, Chieko; Nakamura, Mutsumi; Ito, Yasuhiro; Okuzumi, Hitoshi
Subject: RE: Sports Shinko (USA) Tax Return - Open Points

Hongchay,
 let me answer the below. Most of these will have to be covered by GS.
 steve

-----Original Message-----

From: Vixaysack, Hongchay [mailto:Hongchaythip.Vixaysack@gt.com]
Sent: Friday, August 12, 2005 10:25 AM
To: Iwamura, Steve (JP - Osaka)
Cc: Kretzer, Kenneth
Subject: FW: Sports Shinko (USA) Tax Return - Open Points

Steve,

Thank you for providing the responses to our initial questions. As we are finishing the returns, a few more follow up questions have come up.

Question 1:

Based on review of the schedule, it is a reconciliation to the extraordinary gain or loss on the income statement comprised of initial investment contributions and some write-off of receivables, payables and accrued items.

- a. What event triggered the recognition of the extraordinary gain/loss?
 [Ono, Chieko] We are not sure, but it seems like a part of Purchase Accounting.
- b. It appears that 50% of the Kobayashi Group notes receivable is being written-off. Why is it being written-off? Why is it 50%?
 [Ono, Chieko] We are not sure, but it seems like a part of Purchase Accounting.
- c. It appears that some intercompany debt is being written-off? Has this debt been forgiven?
 [Ono, Chieko] This issues has also been written off by my predecessor
- d. What is "SR" in "Initial Funding - SR NP"?
 [Ono, Chieko] It's Senior Note Payable. We distinguish other note payables. However in this case, we have booked into this account as a matter of convenience. You may disregard name of the account.

9/7/2005

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e. The extraordinary total of SS USA reconciliation is about [redacted] but the income statement is [redacted] What is the difference attributable to?
[Ono, Chieko] I have revised the breakdown as attached. The amount of extraordinary has tied to the income statement
[Iwamura, Steve (JP - Osaka)] ALL OF THESE ITEMS WILL HAVE TO BE COVERED BY MS. ONO.

Question 2:

Based on Ms. Ono's response, she is not aware of whether a buy back transaction occurred with Kobayashi Group. Please confirm whether such events occurred and if so, please provide the details as outlined in original question.
[Iwamura, Steve (JP - Osaka)] THERE HAS BEEN NO SETTLEMENT WITH KG.

Question 3:

Based on Ms. Ono's response, Goldman Sachs did not directly acquire Sports Shinko Japan. Did it indirectly acquire Sports Shinko Japan by acquiring South Wind? Please provide the details of South Wind's acquisition of Sports Shinko Japan. What is "SPC", is South Wind owned 100% by Goldman Sachs? When did Goldman Sachs acquire an interest in Sports Shinko?
[Iwamura, Steve (JP - Osaka)] THIS MUST BE ANSWERED BY MS. ONO.
[Ono, Chieko] South Wind, SPC: Special Purpose Company which a company establishes to utilize holding assets, has acquired Sports Shinko Japan and other subsidiaries. Please refer to the attached chart.

Question 7:

Based on Ms. Ono's response, she is not familiar with the Form 5471 we prepare for Mutual Indemnity (Bermuda). Would this information currently be sent to Cindy Brown?
[Iwamura, Steve (JP - Osaka)] I WILL NEED TO GET THIS INFORMATION FROM CINDY.

Question 8:

- a. How was the ownership relationship between SS (USA) and SS Japan "dissolved"?
[Ono, Chieko] Also, attached chart would be helpful for your understanding.
b. Is South Wind the new owners of SS (USA)?

I think a breakdown of the changes in ownership may be helpful in tying the transactions together. The summary should include details of who the entities were sold to, date of the sale, sales price, and any other relevant information. The schedule should encompass Goldman Sachs transfer of SS USA to South Wind, the acquisition of SS Japan, and so on.
[Iwamura, Steve (JP - Osaka)] YOU WILL NEED TO GET THIS INFORMATION FROM MS. ONO. IF HER ANSWERS ARE NOT CLEAR ENOUGH FOR YOU, YOU NEED TO ELABORATE.
[Ono, Chieko] Yes, South Wind is the owner of SS USA and other subs in the States.

STEVE

Please let me know if you have any questions or need clarification on the requested items. As always, it is a pleasure to be of service to you and Sports Shinko USA.
Best regard,
Hongchay

From: Iwamura, Steve (JP - Osaka) [mailto:steve.iwamura@tohatsu.co.jp]
Sent: Thursday, July 21, 2005 12:01 AM
To: Vixaysack, Hongchay
Cc: Griffith, Doreen; Yoshihiko Machida (CEO, SS-USA); Hanada, Howard; Okuzumi, Hitoshi
Subject: FW: Sports Shinko (USA) Tax Return - Open Points
Hongchay,
forwarding to you at the request of Ms. Ono.
Steve

-----Original Message-----

From: Ono, Chieko [mailto:Chieko.Ono@gsrj.com]
Sent: Thursday, July 21, 2005 3:49 PM
To: Iwamura, Steve (JP - Osaka); Vixaysack@gt.com

9/7/2005

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メッセージ

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Cc: Yoshihiko Machida (CEO, SS-USA); Nakamura, Mutsumi; Suzuki, Toshiya; Okuzumi, Hitoshi; Ito, Yasuhiro
Subject: RE: Sports Shinko (USA) Tax Return - Open Points

Hi,

I have added our comments and an inquiry as attached mail. Your follow up would be appreciated.

Regards and thank you,

chieko ono

-----Original Message-----

From: Iwamura, Steve (JP - Osaka) [mailto:steve.iwamura@tohatsu.co.jp]

Sent: Tuesday, July 19, 2005 4:06 PM

To: Ono, Chieko

Cc: Okuzumi, Hitoshi; Yoshihiko Machida (CEO, SS-USA); Nakamura, Mutsumi

Subject: FW: Sports Shinko (USA) Tax Return - Open Points

Ono-san,

forwarding questions from Grant Thornton to you. Let me know if you need me to follow up on anything.

steve

-----Original Message-----

From: Vixaysack, Hongchay [mailto:Hongchaythip.Vixaysack@gt.com]

Sent: Tuesday, July 19, 2005 6:40 AM

To: Iwamura, Steve (JP - Osaka)

Cc: Griffith, Doreen; Kretzer, Kenneth

Subject: Sports Shinko (USA) Tax Return - Open Points

Steve,

We are in the process of preparing your income tax returns for the year ending December 31, 2004. Based on the information we have received to date, we have the following questions:

1. What are the extraordinary gains and losses listed in each entity-level profit and loss statement? Please provide details.

[Ono, Chieko] See attached 2004 Open Issues.

2. Based on correspondences during the latter part of 2004, there may have been consideration given to buying back some of the properties sold to Kobayashi Group and then reselling them. Did these transactions occur? If yes, please provide a schedule of the date of buy-back, the buy-back price paid, date of resale, sale price, identify the buyer and the property. If possible, we would like to get copies of the contracts and closing documents.

[Ono, Chieko] Not booked. please send us the correspondences you mentioned above if possible.

3. When did Goldman Sachs acquire more than 50% ownership of Sports Shinko Japan? Please provide a schedule which details the changes in ownership of the entities such as who they were sold to, date of sale, sales price, and any other relevant information.

[Ono, Chieko] GS directly did not acquire, but South Wind (SPC: GS 100% ownership) did on February 24, 2004

4. What is "other income" comprised of?

[Ono, Chieko] See attached 2004 Open Issues

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5. What are the "miscellaneous expense" items identified as ownership?
[Ono, Chieko] See attached 2004 Open Issues

6. For Sports Shinko (USA), unconsolidated, was the property/equipment in prior year with a basis of sold? Disposed?
[Ono, Chieko] We wrote off in 2004.

REDACTED

7. In the prior years, we received information to prepare Form 5471 (Information Return of U.S. Persons with Respect to Certain Foreign Corporations) relating Mutual Indemnity (Bermuda) for La Costa Hotel and Spa Corporation from Cindy Brown. Do you have this information?
[Ono, Chieko] Unfortunately, we are not familiar with the relationship between La Costa Hotel & Spa Corp. and Mutual Indemnity (Bermuda). As far as we know, La Costa Hotel and Spa Corp. is a subsidiary owned 100% by SS (USA)

8. In the prior years, we prepared Form 5472 (Information Return of a 25% Foreign-Owned U.S. Corporation) relating to Sports Shinko Japan based on detailed trial balances provided for the compilation. The current year workpapers do not provide the information we need to complete the form. Please provide me the ending balances of the Accounts Receivable and Accounts Payable balance for Sports Shinko (USA) from Sports Shinko Japan. Were there any other monetary transactions between these reporting corporations?
[Ono, Chieko] The ownership between SS (USA) and SS Japan was dissolved on September 29, 2004 due to shift to South Wind. What kind of information do you need?

These should be all our preliminary questions. If you have any questions or concerns, please contact either Doreen or myself.

Best regards,

Hongchay Vixaysack
Senior Tax Associate
Grant Thornton LLP
T 441-2867
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メッセージ

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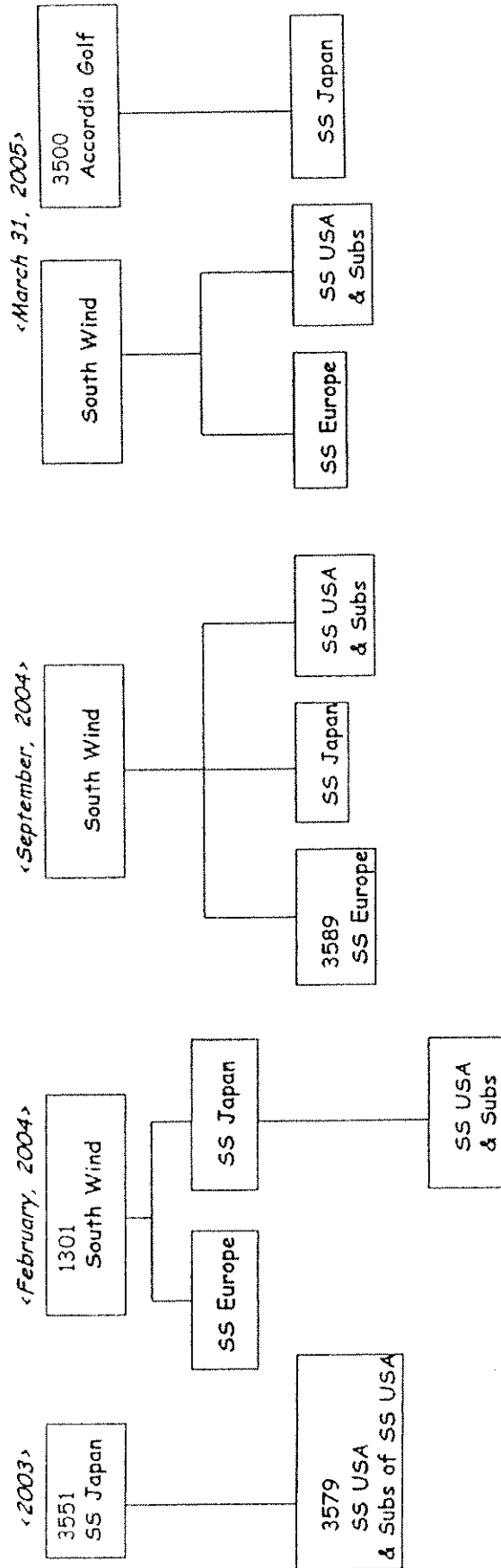
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Restructuring of Sports Shinko Overseas Subs.



Subsidiaries of SS USA

- 3587 LC Hotel & Spa
- 3588 Encinitas Resort
- 3580 SS Hawaii { 3581 SS Kauai
- 3582 SS Milani
- 3583 SS Pukalani
- 3584 SS Resort Hotel { 3585 SS Waikiki
- 3586 Ocean Resort Hotel

As of August 10, 2005

SPORTS SHINKO OVERSEAS SUBSIDIARIES

Extraordinary Gain / Loss

REDACTED

Entity	A/C	Amount (USD)	Description
SS (USA) Incl. Japan a/c	12730 INITIAL CONTRB-INV SUB-CAP	Book balance as of Dec/31/2003	
	17550 OTHER FIXED ASSETS-INITIAL	Book balance as of Dec/31/2003	
	18020 PREPAID EXPENSES	Book balance as of Dec/31/2003	
	18750 OTHER	Book balance as of Dec/31/2003 (Notes & Interest Receivable, Shareholder, Affiliate and Other)	
	20140 INITIAL FUNDING-SR NP	Book balance as of Dec/31/2003	
	20610 INITIAL FUNDING-IC NP	Book balance as of Dec/31/2003	
	21410 ACCRUED INTERST-IC NP	Book balance as of Dec/31/2003	
	26876 OTHER LIAB	Book balance as of Dec/31/2003	
	Total		
SS (HAWAII) Incl. Japan a/c	12230 INITIAL CONTRB-INV SUB-CAP	Book balance as of Dec/31/2003	
	18600 DUE TO/FROM AFFILIATE	Inter Company Balance with Kauai, Milani, Pukalani, Waikolo	
	18750 OTHER	Book balance as of Dec/31/2003 (Notes & Interest Receivable, Shareholder, Affiliate and Other)	
	20610 INITIAL FUNDING-IC NP	Book balance as of Dec/31/2003	
	21410 ACCRUED INTERST-IC NP	Book balance as of Dec/31/2003	
SS (KAUAI)	16900 DUE TO/FROM AFFILIATE	Hawaii State Tax (GET) for Jul&Nov/2004	
	16900 NOTE RECEIVABLE	written off 50% of USD500,000.00 for Note Receivable against KG	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18750 OTHER	Book balance as of Dec/31/2003 (Notes & Interest Receivable, Shareholder, Affiliate and Other)	
	20140 INITIAL FUNDING-SR NP	Book balance as of Dec/31/2003	
	20610 INITIAL FUNDING-IC NP	Book balance as of Dec/31/2003	
	21410 ACCRUED INTERST-IC NP	Book balance as of Dec/31/2003	
	26876 OTHER LIAB	Book balance as of Dec/31/2003	
	Total		
SS (MILANI)	16900 DUE TO/FROM AFFILIATE	Hawaii State Tax (GET) for Mar&Nov/2004	
	16900 NOTE RECEIVABLE	written off 50% of USD500,000.00 for Note Receivable against KG	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18750 OTHER	Book balance as of Dec/31/2003 (Notes & Interest Receivable, Shareholder, Affiliate and Other)	
	20610 INITIAL FUNDING-IC NP	Book balance as of Dec/31/2003	
	21410 ACCRUED INTERST-IC NP	Book balance as of Dec/31/2003	
	26876 OTHER LIAB	Book balance as of Dec/31/2003	
	Total		
SS (PUKALANI)	16900 DUE TO/FROM AFFILIATE	Hawaii State Tax (GET) for Jul&Nov/2004	
	16900 NOTE RECEIVABLE	written off 50% of USD500,000.00 for Note Receivable against KG	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18750 OTHER	Book balance as of Dec/31/2003 (Notes & Interest Receivable, Shareholder, Affiliate and Other)	
	20610 INITIAL FUNDING-IC NP	Book balance as of Dec/31/2003	
	21410 ACCRUED INTERST-IC NP	Book balance as of Dec/31/2003	
	26876 OTHER LIAB	Book balance as of Dec/31/2003	
SS RESORT HOTEL - N/A	16900 DUE TO/FROM AFFILIATE	Hawaii State Tax (GET) for Feb/2004	
	16900 NOTE RECEIVABLE	written off 50% of USD7,500,000.00 for Note Receivable against KG	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18750 OTHER	Book balance as of Dec/31/2003 (Notes & Interest Receivable, Shareholder, Affiliate and Other)	
	20140 INITIAL FUNDING-SR NP	Book balance as of Dec/31/2003	
	21410 ACCRUED INTERST-IC NP	Book balance as of Dec/31/2003	
	26876 OTHER LIAB	Book balance as of Dec/31/2003	
OCEAN RESORT HOTEL CORP	18910 ACCOUNT REC-OTHER	Book balance as of Dec/31/2003	
	18750 OTHER	Book balance as of Dec/31/2003	
	20140 INITIAL FUNDING-SR NP	Book balance as of Dec/31/2003	
	21410 ACCRUED INTERST-IC NP	Book balance as of Dec/31/2003	
	Total		
LA COSTA HOTEL&SPA CORP	18910 ACCOUNT REC-OTHER	Uncollectible receivable	
	18750 OTHER	Book balance as of Dec/31/2003 (Notes & Interest Receivable, Shareholder, Affiliate and Other)	
	18750 OTHER	Book balance as of Dec/31/2003	
	20610 INITIAL FUNDING-IC NP	Book balance as of Dec/31/2003	
	26876 OTHER LIAB	Book balance as of Dec/31/2003	
ENCINITAS RESORT CORP	18750 OTHER	Book balance as of Dec/31/2003	
	26876 OTHER LIAB	Book balance as of Dec/31/2003	
	Total		

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